



# MEGI

**Mestrado em Estatística e Gestão de Informação**

Master Program in Statistics and Information Management

## **The effect of hybridisation processes on stakeholder trust in non-profit and hybrid organisations**

How stakeholder trust is influenced by the integration of market practices in non-profit organisations

Matej Hanzel

Dissertation presented as the partial requirement for obtaining a Master's degree in Statistics and Information Management

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by

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Dissertation presented as the partial requirement for obtaining a Master's degree in Statistics and  
Information Management, with a specialisation in Marketing Research and CRM

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## **ABSTRACT**

Non-profit Organisations are faced with substantial challenges nowadays. They have significant social and environmental (SE) issues to address, but they are financially pressured to sustain themselves and diversify income strategies. When full for-profit organisations change their mission to address SE issues, they are oftentimes praised for it and benefit in direct and indirect ways, be it through positive publicity, increased market valuation and higher levels of public trust. However, when non-profit organisations diversify to include more market-oriented activities in their operations, consequences are not yet clear. External stakeholders can view this hybridisation as one more reason to trust these organisations, and in their ability to create positive change, or they can view it as a threat to the original SE mission, and lose trust. In this work, I explore the effect on trust, if any, and the direction (positive or negative) of such organisational moves, also known as hybridisation processes. To measure trust, a short version of Organisational Trust Inventory (OTI) questionnaire was used. The assessment of the construct Trust is described as a second-order reflective-formative construct by utilising PLS-SEM.

## **KEYWORDS**

Non-profit organisations; Hybrid Organisations; Trust; Mission Drift; PLS-SEM

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## 1. INTRODUCTION

In the environment of full for-profit organisations, in relatively recent decades one could observe the emergence of Corporate Social Responsibility (CSR) and the creation of social and ecological value as a means of social and ecological concerns, as a means to reinforce business financial performance (Barnett, 2007), but also as a means to increase market valuation (Mackey, Mackey, & Barney, 2007). In many ways, it can be concluded that these organisations are following the trend of including social or ecologically driven practices into their business model strategies, not only for the sake of doing good but also because doing this has clear positive consequences on the business side. The evidence of this can be found in the works of Sharp and Zaidman, "*Strategization of CSR*" (Sharp & Zaidman, 2010) or the work of Beloe, Elkington, and Thorpe (edited by Freeman & Ramakrishna Velamuri, 2006), to name a few. Many of these practices are adapted from non-profit organisations, potentially eliciting internal conflicting logics inside organisations that were initially designed for a total focus on profit.

Previous studies have also suggested that, once social or ecologically-driven practices were applied in for-profit organisations, this stimulated the creation of goodwill on the side of multiple external stakeholders, and certainly among customers that become more willing to purchase, sponsor and be loyal to such organisations (Seok Sohn, Han, & Lee, 2012).

However, by applying practices that stray from their core-missions of generating profits for shareholders or, in the case of non-profits, addressing a social mission or a cause, these organisations go through a process that can be called mission drift. While including more social-minded missions is mostly seen as beneficial to for-profit organisations, the effects of this mission drift are not totally clear for non-profit organisations. For example, there is still a lack of knowledge of what happens to public goodwill when these organisations engage in more market-oriented practices, meaning when they start selling a product or offering a paid service to financially sustain their operations.

The main question of this dissertation project is, therefore, what is the impact of mission-drift on the trust of external stakeholders and, if there is any such effect, and what are some recommendations for these organisations if they want to engage in more market-oriented practices?

## 2. STUDY RELEVANCE AND IMPORTANCE

In very recent years, research has emerged about organisations blurring the lines between non-profit and for-profit logics to find new ways of coping with financial sustainability (Ramus, La Cara, Vaccaro, & Brusoni, 2018; Haigh, Walker, Bacq, & Kickul, 2015). The recent financial and governmental debt crisis have challenged the organisations to find new ways of sustaining themselves, as can be seen in the CASES' Conta Satélite da Economia Social (Instituto Nacional de Estatística, 2016) that evaluated the weight of the Social Economy between 2010 and 2013 to find a significant decrease in subsidisation of this sector (from 17,9% in 2010 to 15,4% in 2013), while its weight in the overall economy kept steady (2,8% in 2010 and 2013). We have then some reasons to believe that the social economy grew more resilient and found other ways of funding itself, apart from state subsidies.

Non-profit organisations do not intend to generate and distribute any profit to shareholders, but they cannot live without financial sustainability, otherwise, they cannot fulfil their social/environmental mission. To “stay alive” many of these organisations have opted to start complementing their charitable donations with the selling of a product or by providing a paid service (hybridised), that have allowed them to keep addressing their initial purpose, without compromising their future existence. Professors Haigh, Kennedy, & Walker in their work “Hybrid Organisations as Shape-Shifters” (2015), has very effectively illustrated what they call a “Non-profit Hybrid”, exploring the case of “Project Have Hope”, a U.S based non-profit whose focus is the support of the Acholi women community in Uganda. This community of women are required by local circumstances to adopt a very entrepreneurial posture in life, given that they tend to bore children very early in their lives and end up, many times, caring for them by themselves. Instead of only seeking donations, “Project Have Hope” is buying or consigning their hand-made products and jewellery and selling them at high prices in the U.S, with all the proceeds of the sales going to the Acholi women in Uganda or to fund programs and partnerships like the one with Uganda Child Cancer Foundation. This illustrative example shows how it is possible to move from a hand-out, “give the fish” donation strategy, to a “giving the fishing rod” approach to difficult circumstances.

At the same time, literature in this topic already recognizes many of the challenges that hybridisation processes entail. One clear example is Battilana's et al. (2015), the social imprinting vs economic productivity tension that explores the apparently paradoxical dimension of seeking both social and economic performance. On the one hand, strong social imprinting is typically related to the social performance of an organisation, as these organisations commit strong efforts and resources to its social mission. On the other hand, a strong focus on the social aspects of the business typically diverts resources from a more financial economic focus. However, economic productivity is crucial to sustaining social performance in the long run, as that social performance and the growth of the social mission activities severely depends on the funding available.



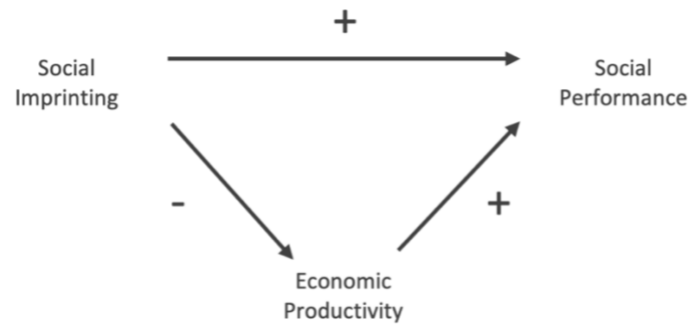


Figure 1 – Social imprinting vs. Economic productivity tension (Battilana et al., 2015).

Building upon this study, I intend to study another potential tension in these organisations, and this time it is between developing hybrid activities, trust and economic sustainability. If the development of hybrid activities (that provide financial sustainability) has a negative effect on trust and trust itself has a positive effect on economic sustainability, we have identified one tension that is yet to be explored in literature. This is a major tension with a multiple ramifications and shining some light on it can be beneficial for, not only academics, but particularly practitioners in non-profits that are hybrids.

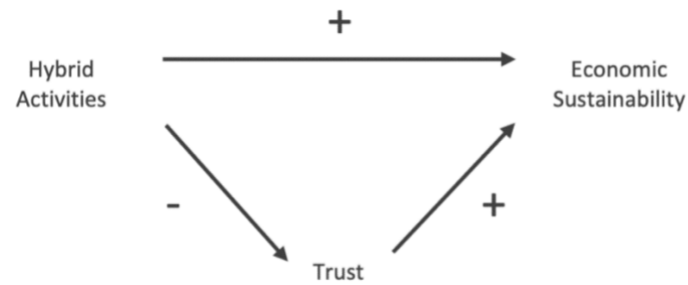


Figure 2 – Hybrid activities vs. Trust (author).

Furthermore, the results of this study have the potential to go beyond Portuguese borders and might be relevant to anyone wishing to understand the importance of trust mechanisms in other European countries that have similar profiles and sets of values (stable democratic countries, with developed economies, typically sharing social-democratic and European cultural values (European Commission, 2007)).

### 3. LITERATURE REVIEW

The foundation of knowledge of this study builds upon concepts like hybrid organisations, hybridisation, trust, trust destruction, trust reparation, and the organisational trust inventory. These concepts are crucial when identifying the gap in research that can potentially be filled with the results and outputs of this study.

#### 3.1. HYBRID ORGANISATIONS

Hybrid organisations are all around us. They seek to redefine products, services and operating practices that ensure the organisational long-term financial sustainability while advancing economic and social conditions in the communities they operate (Porter & Kramer, 2011). Indeed the “hybrid organisation” nomenclature is a suitable umbrella term for all those organisations that combine a mixture of market and mission-oriented practices, beliefs and rationales to address a social or ecological issue (Haigh & Hoffman, 2014). These organisations take different forms, making use of a blend of state, market or civil society logics, blurring the line between for-profit organisations and non-profit organisations in pursuit of profitability, while addressing some of humanity’s greatest issues (Pache & Santos, 2013).

The word *hybrid* is typically used in biology to refer to the offspring of animals of different breeds, and many times these animals possess a hybrid vigour – *an increased vigour when compared to the parent stocks* (Hockerts, 2015). This is a compelling metaphor since hybrid organisations can use the strongest attributes of traditional businesses and traditional non-profits to address societal problems with tools and strategies they would not otherwise possess. They use these to disrupt the markets they operate in and by having a social or environmental mission deeply embedded in their business models (Haigh, Walker, et al., 2015).

Indeed, hybrids attract capital and generate income in ways consistent with for-profit models, non-profit models, or both. To illustrate this span of enterprising positioning, Gregory Dees (1998) uses the figure of a Hybrid Spectrum, where on one side we have *Purely Philanthropic*, social-driven organisations, and on the opposite side, we have *Purely Commercial* organisations. In between these two extremes, we can frame all the different kinds of hybrids (Peattie & Morley, 2008). Social enterprises, at the centre of this spectrum, are heightened examples of hybridity (Doherty, Haugh, & Lyon, 2014; Eldar, 2014).

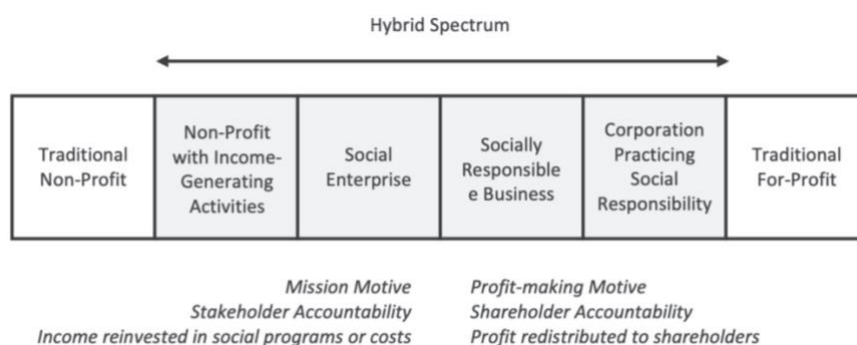


Figure 3 – Hybrid Spectrum ((Dees, 1998); adapted by Alter, 2007).

Literature concerning hybrid organisations has recently focused on the identification and mapping of their impacts (Holt & Littlewood, 2015), how these organisations are adept at turning antagonistic assets into complementarities (Hockerts, 2015), on their typology and organisational design (Santos, Pache, & Birkholz, 2015), and also on their systems and processes of governance (Mair, Mayer, & Lutz, 2015). Authors have also focused on the tensions elicited by this combination of logics and identities (Smith & Besharov, 2019), as well as strategies to balance such institutional equilibrium (Davies & Doherty, 2018).

Recent literature has focused on the problem of mission-drift as a topic that concerns, in particular, hybrid organisations (Ebrahim, Battilana, & Mair, 2014; Ramus & Vaccaro, 2017). It is a characteristic of these hybrid organisations to face significant internal conflicting logics at the very core of their activities (Battilana & Lee, 2014). These tensions are even clearer when the hybrid organisation seeks to address a social or ecological problem, but at the same time has the need to be financially sustainable, and therefore engages in market practices that do not refuse market logics, if they serve them to successfully address the issue in the long term (Alberti & Varon Garrido, 2017). As more and more organisations opt to blur the line between for-profit and non-profit logics, they transform into hybrid organisations and go through the process of hybridisation (Castellas, Stubbs, & Ambrosini, 2019). In doing so, they risk suffering from mission drift.

### **3.2. HYBRIDISATION**

Less attention has however been given to the process of becoming a hybrid, and the consequences resulting from what I will call in this thesis the *hybridisation process*. This hybridisation process happens when an organisation starts increasingly integrating different institutional logics from the ones that presided at its inception. In other words, hybridisation happens when a for-profit company begins acting more like a non-profit, by aligning their business activities with a social or ecological goals (beyond just doing regular CSR), or it can happen when a non-profit organisation starts acting more like a for-profit organisation, by launching a new product or service that allows it to achieve financial sustainability (Skelcher & Smith, 2015).

As we look at transformational processes in corporations, it is important to keep in mind how these affect different stakeholders. In doing so, one can improve such transformations, minimize destructive disruption of pre-existing relationships, and crises may be averted. There is already some understanding of the consequences of hybridisation, particularly when the phenomenon occurs in originally for-profit firms. For example, firm's Corporate Social Responsible behaviour (when for-profit organisations start moving towards the middle of the hybrid spectrum) has been linked with a competitive advantage (Porter & Kramer, 2007), increase in brand loyalty and differentiation (Dean, 2003) and is known as potentially even affecting market valuation and firm performance (Mackey et al., 2007). The effects of the marketisation of non-profits (when non-profit organisations start moving towards the middle of the spectrum) have also been studied, but consensus on its effects seem much harder to grasp. For example, while some authors postulate that a heightened market orientation is associated with increased financial sustainability (Bennett, 1998) or performance (Wood, Bhuian, & Kiecker, 2000), others alert us to the dangers of marketisation, as the outcomes may potentially deteriorate the *"distinctive contributions that non-profit organisations make to creating and*

*maintaining a strong civil society*" (Eikenberry & Kluver, 2004). It is therefore a field ripe for further exploration and study.

### 3.3. TRUST

In this thesis, I am interested in looking at what happens to stakeholder's trust when a non-profit organisation hybridises. But why trust? Trust has been named a significant determinant of non-profit giving behaviour, being significantly correlated with donor commitment (Sargeant, Ford, & West, 2006). One can therefore surmise that, if hybridisation has any kind of impact on stakeholder trust, this might in turn significantly affect the overall success of non-profit organisation's ability to raise funds through charitable donations.

Trust has seen an incredible number of academic definitions and therefore is difficult to single out a universally accepted meaning, as they often diverge across disciplines, and even within social sciences. For the sake of simplicity, I opted to focus on Cummings & Bromiley (1996) formal meaning of trust, defined as an individual's belief that another individual or group 1) *makes a good-faith effort to behave in accordance with any commitments both explicit or implicit*, 2) *is honest in whatever negotiation precedes such commitments* and 3) *does not take excessive advantage of another, even when the opportunity is available*.

Aligned and expanding on this idea of trust, Rousseau, Sitkin, Burt, & Camerer (1998) declare: *"Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviours of another"*. Both definitions highlight one's willingness to be vulnerable and the expectation of favourable treatment by another party in the relationship (Colquitt, Scott, & LePine, 2007). In a nutshell, when observing a trust bond, "Truster A", trusts "Trustee B" concerning "behaviour X" in "context Y" at "time t" (Bauer & Freitag, 2017). This definition underlines the fluid nature of trust, as it may change and evolve, depending on the context and as time and circumstances change.

### 3.4. TRUST DESTRUCTION AND REPARATION

Examples of institutional trust destruction abound. The failure of rating agencies to alert and stop the subprime securities crisis in the early 2000s (Hill, 2010), or the Volkswagen vehicle emission scandal (Rhodes, 2016), are all well-studied examples of trust destruction. Some non-profit organisations may also endure severe trust destruction, as scandalous events like the one with Oxfam and Save the Children show (Scurlock, Dolsak, & Prakash, 2019). Closer to the Portuguese non-profit reality, scandals like the one in Fundação "O Século" (Caneco, 2019) and Raríssimas (Agência Lusa, 2018) are also examples of the phenomenon. Albeit the latter represent extreme instances of trust betrayal, their negative consequences are undeniable and, in many ways, destructive.

It is therefore important to clarify the meaning of trust betrayal. For this purpose, I follow the authors Elangovan and Shapiro's definition (Elangovan & Shapiro, 1998) as follows: *"Trust betrayal consists of a voluntary violation of mutually known pivotal expectations of the trustor by the trusted party (trustee), which has the potential to threaten the well-being of the trustor"*. This betrayal must consist of a voluntary act, as the trustee lacks the motivation to conform to trustor's expectation or becomes motivated to violate these expectations. It consists of pivotal violations of mutually known

expectations and can occur even if the trustor is not aware of the violation (even though it is only felt by the trustor once noticed). Also, a trust betrayal occurs only when it involves behaviour, an act, rather than just the thought of betraying. Finally, betrayal occurs when it has the potential to harm the well-being of the trustor. Equally important to notice is the fact that betrayal must involve the violation of personal trust, and this needs not to be either unethical or even antisocial (ibid).

As trust can be destroyed, there is also significant evidence that it can be repaired (Gillespie & Dietz, 2009), although there are all the indications that this might be a burdensome and arduous task. To begin with, Lewicki and Bunker (Lewicki & Bunker, 1996) recommend that, to repair trust, the organisation should ensure that 1) the violation is acknowledged, 2) the causes are determined and culpability is admitted, 3) admit the destructive nature of the act, 4) accept responsibility for the consequences and 5) the transgressor should take on action to undo the violation and take reparative measures. Other authors like Dirks et al. and Nakayachi and Watabe (2011; 2005) report that offering penance or punishment, as well as increased measures for regulation and the voluntary introduction of monitoring systems on behalf of the transgressor, can both increase trust after the violation.

Other trust repair mechanisms are described in detail in the Organisational Studies 2015 Special Issue (Vol. 36) entitled “*Trust in Crisis*”. In this special issue authors explain six different mechanisms of trust repair (Bachmann, Gillespie, & Priem, 2015): 1) *sense-making* (organisation’s willingness to engage in investigations, public enquiries and in finding explanations for the initial trust loss event), 2) *relational mechanism* (the willingness of the organisation to explain, apologize and endure penance for the betrayal caused), 3) *regulation and controls* (new policies and codes of conduct put in place to guarantee that trust is safeguarded), 4) *implementation of ethical culture measures* (the willingness of the organisation to implement cultural reforms, commit to professional training and in becoming a role model of good behaviour), 5) *transparency* (availability to engage in external audits, public enquiries and whistle-blower protection) and 6) *transference* (engaging in certification, affiliation and being available to receive endorsements by other entities).

### **3.5. ORGANISATIONAL TRUST INVENTORY**

Considering the previously mentioned definition of trust, Cummings and Bromiley (1996) developed a framework of Organisational Trust Inventory (OTI). The OTI measures individual or collective beliefs regarding trust in another person or group.

The original questionnaire of OTI consists of 62 questions measured on a 7-point Likert scale. Each of the questions corresponds to the three dimensions of trust (keeping commitments, negotiating honestly, and not taking excessive advantage). Moreover, each dimension consists of three components that foreshadow human action (cognition, affect, and intended behaviour). This multi-dimensional view on trust that incorporates 9 items is interpreted as a definitional matrix of trust as a belief – shown in figure 4.

		Component of Belief		
		Affective State	Cognition	Intended Behaviour
Dimension of Trust	Keeps Commitments			
	Negotiates Honestly			
	Avoids Taking Excessive Advantage			

Figure 4 – Definitional Matrix of Trust as a Belief (Cummings & Bromiley, 1996).

The three dimensions of trust these authors analyse are Keeping Commitments, Negotiates Honestly and Avoids Taking Excessive Advantage.

The *Keeping Commitments* dimension is modelled as a continuum, where on one side the trustor believes fully that the trustee respects its commitments, where on the opposite side, the trustor believes the commitments are disregarded.

The second dimension, *Negotiates Honestly*, also ranges in a continuum, where on one pole the trustor believes the counterpart negotiates honestly, while in the extreme opposite pole, the trustor believes the trustee often misrepresents facts.

Finally, for the third dimension continuum, *Avoids Taking Excessive Advantage*, on one side the trustor believes the trustee avoids taking excessive advantage, while on the opposite side the trustee is seen as an opportunist.

As mentioned before, the questionnaire consists of 62 questions which have been commented by Cummings and Bromiley (1996) as “*overly long for many uses*”, thus their suggestion is to use a short form of OTI that would have 12 questions equally distributed among all three dimensions of trust.

## 4. METHODOLOGY

As organisations seek financial sustainability while not forgetting social and environmental concerns, or focus on social missions, using market logics to address them, significant organisational tensions and challenges may appear. This study seeks to explore some of these issues and elucidate organisations about some of the consequences of becoming hybrid.

Two main dichotomous conclusions can be reached: either we can conclude that hybridising (in this case integrating market logics in non-profit organisations' operations) has a significant categorical moderating effect on people's trust perception in the organisation, or, there is no statistical evidence of the existence of such effect. Furthermore, if the effect exists, we either reach the conclusion that it is positive (people gain trust in the organisation) or it is negative (people lose trust in the organisation).

Afterwards, a few interpretations can be put forward to explain such effects: If the effect on trust is positive, it might mean that the stakeholders may believe that hybridisation processes make the organisation stronger and more able to address the social or environmental missions they have, in a sustainable way. If the effect is negative, maybe it is because people might see hybridisation as a detour or shift of focus from the original social or environmental mission.

By not forgetting about the instrument used to measure trust – Organisational Trust Inventory (OTI), this study furtherly seeks to provide theoretical support and model the construct of trust defined by OTI as a higher second-order reflective formative construct using PLS-SEM. In concluding, I intend to prove or disprove the following hypothesis:

Hypothesis	
H <sub>1</sub>	Keeps Commitments (KCOM) significantly influences trust (TRST).
H <sub>2</sub>	Negotiates honestly (NHON) significantly influences trust (TRST).
H <sub>3</sub>	Avoids taking excessive advantage (ATEA) significantly influences trust (TRST).
H <sub>4</sub>	There is a significant categorical moderating effect of organisational form on the relationship among model constructs.

*Table 1 – Hypothesis (author).*

### 4.1. SURVEY

As per the survey, the following elements are specified: target population, sample plan, questionnaire and the process of data collection itself.

#### 4.1.1. Target Population

Considering the Portuguese environment in which this study is set, the target population was defined as individuals living in Portugal above the age of eighteen.

Taking into account that SEF (*Serviço de Estrangeiros e Fronteiras*) recorded in the year of 2019, that there were more than 590.000 foreigners living in Portugal (SEF, 2019), and that they are an integral

part of the population makeup of the country, the questionnaire will be distributed in both Portuguese and English languages.

Although having the target population widely defined, the rationale behind is justified by the goal of this study – to measure the effect of potential hybridisation of a hypothetical non-profit organisation on trust. The intention is to look at the general effect (if any), rather than the actual consequences of the integration of market practices in a particular non-profit organisation that hybridised.

#### 4.1.2. Sample Plan

The haphazard sampling, also known as convenience or availability sampling is going to be used as a sampling method. The decision to choose one of the non-probabilistic methods was consequently made taking into account that there is no expectation to have a sampling frame for this study. On the other hand, the decision is further supported by the importance of the ease of access to the population and also, as suggested by Malhotra and Birks (2006), the convenience sampling is a suitable sampling method for students' studies in the academic environment. The main idea behind the convenience sampling is that the selection of units of the sample is solely made by the interviewer. The trigger to select a specific unit can be fairly simple – the interviewed person happens to be in the right place at the right time (Saunders, Lewis, & Thornhill, 2016).

The sample size was considered by the oftentimes cited *10 times rule* (Barclay, Higgins, & Thompson, 1995), that defines the sample size as equal or greater than:

- 10 times the largest number of formative indicators used to measure a single construct, or
- 10 times the largest number of structural paths directed at a particular construct in the structural model.

By acknowledging the recommendations about the sample size in PLS-SEM made by Hair et al. (2017) based on Cohen (1992), the decision will be made by the following table Table 2 that shows the minimum sample size recommendation in PLS-SEM with a statistical power of 80%.

Number of Independent Variables	Significance Level											
	10%				5%				1%			
	Minimum R <sup>2</sup>				Minimum R <sup>2</sup>				Minimum R <sup>2</sup>			
	0,10	0,25	0,50	0,75	0,10	0,25	0,50	0,75	0,10	0,25	0,50	0,75
2	72	26	11	7	90	33	14	8	130	47	19	10
3	83	30	13	8	103	37	16	9	145	53	22	12
4	92	34	15	9	113	41	18	11	158	58	24	14
5	99	37	17	10	122	45	20	12	169	62	26	15
6	106	40	18	12	130	48	21	13	179	66	28	16
7	112	42	20	13	137	51	23	14	188	69	30	18
8	118	45	21	14	144	54	24	15	196	73	32	19
9	124	47	22	15	150	56	26	16	204	76	34	20
10	129	49	24	16	156	59	27	18	212	79	35	21

Table 2 – Minimum Sample Size Recommendation in PLS-SEM with a statistical power of 80% (Hair et al., 2017).



Taking into consideration that this study intends to compare two groups of respondents, the aim was to collect the same or similar number of observations in both groups – non-profit and hybrid organisations.

#### 4.1.3. Questionnaire

For the purpose of this project, a short form of the Organisational Trust Inventory will be used. The process of adaptation is first and foremost initiated by translating the original questionnaire from English to Portuguese language. This approach was chosen since the research question is addressed to groups whose language is not primarily English. The process of ensuring the equivalence between the translated and original versions of a questionnaire has been already described by Chang et al. (1999). Firstly, the questionnaire was translated into Portuguese by one Portuguese native speaker researcher. Secondly, the Portuguese version of the questionnaire was back-translated into English by another independent Portuguese native speaker researcher. Both researchers, translator and back-translator, met with the native English speaker to examine the discrepancies in the back-translated version. As stated at Chang et al., “*Conceptual rather than literal meaning was the goal*” (ibid).

At the same time, an English version of the questionnaire was made available. Aimed for foreigners that live in Portugal and thus an integral part of the target population. All of the questions are measured on a 7-point Likert scale.

In this questionnaire, each of the questions is preceded by a description of both a social enterprise (hybrid organisation) or a purely non-profit organisation. These descriptions took into account the most representative characteristics of these organisations: 1) their organisational forms (non-profit or “*organização sem fins lucrativos*” and social enterprise or “*empresa social*”); 2) its core mission as an organisation; 3) the activities that they engage in; 4) what revenue streams they prioritize; 5) the workforce they employ; and finally 6) what happens to any monetary surplus they might generate.

It was important to highlight the differences between each of these 6 characteristics for each kind of organisation making it very clear, for example, that while both organisational forms may have income-generating activities, pure non-profits are not beholden to the payment of taxes. Or, while both the non-profit and the social enterprise may have a team of professional managers, non-profits usually rely on a strong component of volunteering work, while social enterprises prioritize the professionalisation of the workforce, acting more like a business. Finally, it was also important to emphasize some of the ways that hybrid organisations innovate when compared to pure non-profit organisations. For example, social enterprises might choose to employ and pay above market-average salaries, as they see this as part of their social mission to their associates (Haigh & Hoffman, 2012), or how they might justify charging premium prices for their products and services, using storytelling and a social mission to justify these higher prices (Hockerts, 2015).

The main questions that are directly linked with the research are predeceased with a single qualification question (*Reside permanentemente em Portugal? / Do you live permanently in Portugal?*), that ensures that all interviewed individuals belong to the target population. Analogous to the introduction, the questionnaire terminates with a set of segmentation questions. Following Vidotto et al. (2008), those are gender, age, level of education and nationality. All of the segmentation questions have also an available option of *Prefiro não responder / Prefer not to answer*.

#### 4.1.4. Data Collection

The data was collected through an online questionnaire using Qualtrics. This tool was chosen for its robustness when it comes to its available features and accessibility when used for academical purposes. Once the questionnaire is accessed, the interviewee had the option to choose from either the Portuguese or English version of the questionnaire.

## 4.2. MODEL

Conceptually speaking, the model itself is fairly straightforward. Attention was paid to the three dimensions of trust, namely keeps commitments, negotiates honestly and avoids taking excessive advantage.

In light of the purpose of this study, the following sections respect a structure that was adapted from Hair et al. (2017). Specifically, the process is initiated with the specification of both structural and measurement models, followed by the assessment of the reflective measurement model. Considering the nature of the proposed model, the higher-order construct is assessed. The procedure of applying PLS-SEM is concluded with the interpretation of results and some potential conclusions were drawn.

### 4.2.1. Structural Model Specification

Considering the previously mentioned definitional matrix of trust as a belief (Cummings & Bromiley, 1996), the trust is created by three dimensions (keeps commitments, negotiates honestly, and avoids taking excessive advantage), where each of them has three more sub-dimensions (cognition, affect, and intended behaviour). In the short version of the questionnaire, these sub-dimensions are not considered, thus will not be included in the model proposed for this study. The structural model of this study is presented in figure Figure 5.

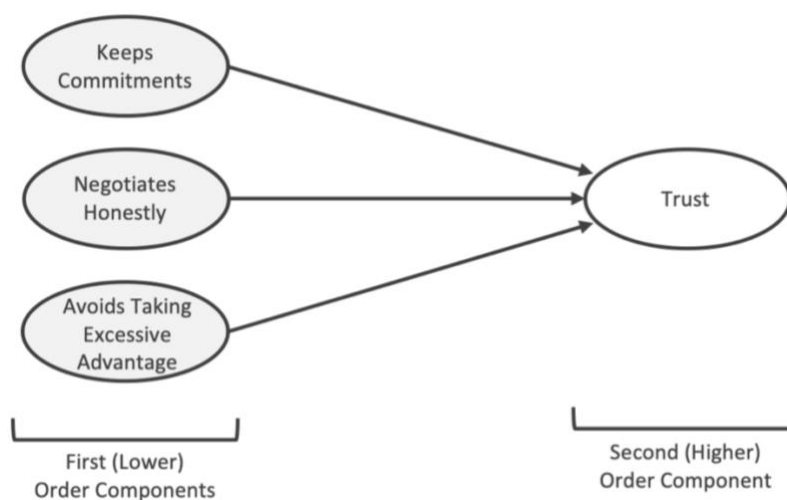


Figure 5 – Structural Model (author).

Following the OTI, in the presented model, the attributes of trust as drivers of the respondents' overall trust are not modeled on a single construct layer. Instead of that, higher-order modeling is used which

involves summarising the lower-order components (LOC), also known as first-order components, into a single multidimensional higher-ordered construct (HOC), also known as a second-order construct, which resulted in a hierarchical component model, specifically second-order model.

Hierarchical component models (HCMs) or higher-order models represent the multidimensional constructs that exist at a higher level of abstraction that is related to other constructs at the similar level of abstraction and completely mediate the influence to their underlying dimensions or from their underlying dimensions (Becker et al., 2012). Law et al. (1998) define a multidimensional construct as a construct that consists of several interrelated dimensions or attributes. Furthermore, a multidimensional construct can be conceptualised via overall abstraction as a representation of all dimensions or attributes which are theoretically meaningful and parsimonious.

Generally speaking, HCMs are characterised by the number of levels in the model and the relationships between the constructs in the model (Becker et al., 2012). As furtherly discussed, if the HOC is reflective, the common concept is manifested by several specific dimensions that are themselves latent (ibid). On the other hand, in case of the formative HOC, it is a combination of several specifically characterised latent dimensions into a common concept, which is the case of this study.

#### 4.2.2. Measurement Model Specification

The structural model that was described in the previous section deals with the relationships between constructs as latent variables. On contrary, the measurement model pays attention to the representation of the relationships between constructs and their corresponding indicator variables. Figure Figure 6 shows the proposed measurement model with the following LOCs of keeps commitments (KCOM), negotiates honestly (NHON), avoids taking excessive advantage (ATEA) and the HOC of trust (TRST).

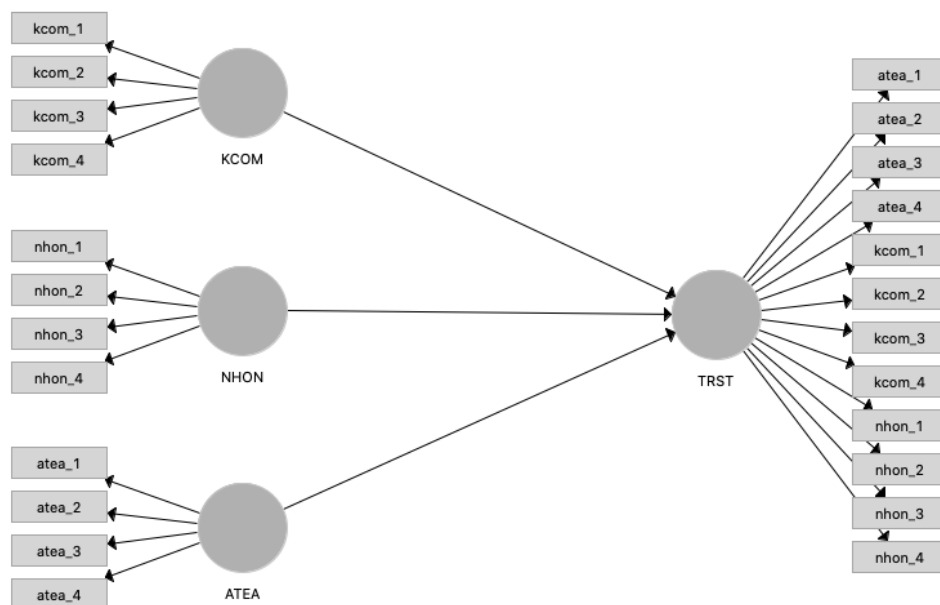


Figure 6 – Measurement Model (author).

Considering all possible combinations of HOC and LOCs that together form HCM, Ringle et al. (2012) distinguish four main types of HCMs in the application of Structural Equation Modeling (SEM), namely reflective-reflective HCM, reflective-formative HCM, formative-reflective HCM and formative-formative HCM.

As can be seen in figureFigure 6, a reflective-formative HCM is proposed. In this type of HCM, the LOCs are reflectively measured, which means that these constructs do not share a common cause, but rather than that, they form a common concept represented by HOC that fully mediates the influence on subsequent endogenous variables (Chin, 1998). This being said, all three dimensions of trust, keeps commitments (KCOM), negotiates honestly (NHON) and avoids taking excessive advantage (NTEA), are seen as representations of a separate concept, therefore, these dimensions do not share a conception overlap nor a common cause among themselves. Table Table 3 presents a summary of the first (lower) order components.

First (Lower) Order Component	Indicators of First (Lower) Order Component	Number Indicators
Keeps Commitments (KCOM)	kcom_1, kcom_2, kcom_3, kcom_4	4
Negotiate honestly (NHON)	nhon_1, nhon_2, nhon_3, nhon_4	4
Avoids Take Excessive Advantage (ATEA)	atea_1, atea_2, atea_3, atea_4	4
<i>Total</i>		<i>12</i>

*Table 3 – First (Lower) Order Components Summary (author).*

To represent the HOC's measurement model, a repeated indicators approach was used. In this case, all the indicators from the LOCs are assigned to the HOC. Hair et al. (2017) mention that in the case of modeling formative-reflective HCM using a repeated indicator approach, almost all of the variance of HOC will be explained by its LOCs. Meaning that any other path coefficients pointing to the HOC will be very small and insignificant. To treat this issue, a two-stage HCM analysis should be applied combining the repeated indicators approach and the use of latent variable scores (ibid). Nonetheless, in the case of this study, only repeated indicators approach will be used since the proposed HOC does not serve as a predictor for any other construct.

#### 4.2.3. Model Estimation

For model estimation, a PLS-SEM method was used. SmartPLS version 3.3.2. was used as the estimation software.

#### 4.2.4. Measurement Model Evaluation

Following the goal of PLS-SEM – maximizing the explained variance of the endogenous latent variables of the PLS model (Hair et al., 2017), the evaluation of the measurement model is crucial. This process is seen as a model quality check by focusing on metrics indicating the predictive capabilities of both measurement and structural models.

The nature of the proposed model, reflective-formative HOC, determines the process of model evaluation. In this case, Sarstedt et al. (2019) propose applying a standard evaluation criteria on the models of the LOCs. The evaluation of the measurement model itself was assessed on its convergent validity and internal consistency reliability with its specific measures of Cronbach's Alpha, Composite Reliability, Indicator Reliability, Average Variance Extracted (AVE) and Heterotrait-Monotrait Ratio (HTMT) of the correlations criterion. The results of the HTMT statistic will be obtained by performing a bootstrapping procedure. Table Table 4 summarises the specific measures.

Measure's Category	Specific Measure	Suggested Threshold Value
<b>Internal Consistency</b>	Cronbach's Alpha	0,60-0,90
	Composite Reliability	>0,70
<b>Convergent Validity</b>	Indicator Reliability (Outer Loadings of the indicators)	>0,70
	Average Variance Extracted (AVE)	>0,50
<b>Discriminant Validity</b>	Heterotrait-Monotrait Ratio (HTMT) Criterion	The confidence interval of the HTMT statistic should not include the value 1

*Table 4 – Measures of the Measurement Model Evaluation (Hair et al., 2017).*

Following Hair et al. (2017), in case the values of outer loadings of the indicators, also known as indicator reliability, are between 0,40 and 0,70, these indicators should be considered for removal only in case the removal will result in an increase of the composite reliability above the suggested threshold value. For indicators where the outer loadings do not reach the value of 0,40 it is recommended to eliminate such indicators.

As a traditional addition to the HTMT Criterion in establishing discriminant validity, cross-loadings and Fornell-Larcker Criterion analyses were also performed.

#### 4.2.5. Higher-Order Construct Evaluation

The interpretation of the relationships between the HOC and LOCs can be done by either loadings or weights. In the case of reflective-formative constructs, the second option is recommended as well as the assessment of convergent validity, collinearity and the significance and relevance of the weights (Sarstedt et al., 2019). The specific measures together with the threshold values as per the suggestion of Hair et al. (2017) are shown in table Table 5.

Measure's Category	Specific Measure	Suggested Threshold Value
<b>Convergent Validity</b>	Correlation	$\geq 0,70$
<b>Collinearity</b>	Variance Inflation Factor (VIF)	<5,00
<b>Significance and relevance of the weights.</b>	Outer weight significance testing	Significant ( $p < 0,05$ )

*Table 5 – Measures of the Higher-Order Construct Evaluation (Hair et al., 2017).*

To access the convergent validity, a redundancy analysis was performed. For this purpose, a global item has been introduced to the proposed model. The rationale behind this step is that such item

summarises the essence of the construct of formative indicators (Hair et al., 2017). Specifically, the questionnaire that was used for the data collection purpose included one additional question, where the interviewed person assessed the extent of their trust towards either of the presented organisations.

As high correlations between items are not expected in formative measurement models, a check for collinearity was executed (Hair et al., 2017). To assess the levels of collinearity, a measure of variance inflation factor (VIF) was also computed.

To analyse the significance and relevance of the outer weights, a bootstrapping procedure with 5.000 bootstrap samples was used.

Additionally, to assess the predictive accuracy, a Stone-Geiser's  $Q^2$  was examined (ibid). This measure is an indicator of the predictive relevance of the model. The  $Q^2$  values were obtained by running the blindfolding procedure. Considering the setting of this procedure, the value of omission distance (D) cannot be a multiple of the number of observations. For the case of this study, D equals 6 was used, considering 392 observations of the data set used. In general, the resulting  $Q^2$  values that are greater than 0 indicate that the predictive relevance is under consideration. In more detail, the values of predictive relevance can be interpreted as follows: 0,02 for small predictive relevance; 0,15 for medium predictive relevance; 0,35 for large predictive relevance (ibid).

#### **4.2.6. Multi-Group Comparison**

As one of the hypotheses of this study ( $H_4$ : *There is a significant categorical moderating effect of organisational form on the relationship among model constructs*), intended to compare model estimation results across different groups of respondents (group 1: Non-profit organisation; group 2: Hybrid organisation), an additional examination was required. Unambiguously, a multi-group comparison serves such purpose. On the other hand, a multi-group comparison itself would not guarantee the validity of the outcomes nor consequently determined conclusions. The validity can be ensured by establishing measurement invariance (Millsap, 2011).

Measurement invariance of the composite models (MICOM) procedure developed by Henseler, Ringle and Sarstedt (2016) was used to determine the measurement invariance that consists of the following steps: 1) *Configural Invariance*, 2) *Compositional Invariance*, 3) *Equality of Composite Mean Values And Variances*.

The establishment of a configural invariance requires that all the groups use identical indicators per measurement model, identical data treatment and identical algorithm settings (Henseler, Ringle, & Sarstedt, 2016). The aim of accessing compositional invariance is to ensure, that a composite is formed equally across the groups (ibid). In MICOM, a statistical test is applied to ensure that the composite scores are not statistically different across groups, despite possible differences in the weights (Hair et al., 2017). Only in the case where the results supports compositional invariance, equality of composite mean values and variances should be assessed followingly (ibid).

To acquire the results of the MICOM analysis, a permutation routine in SmartPLS was used. This gave access to both compositional invariance and equality of composite mean values and variances. In case the original correlations are equal or greater than a 5%-quantile of the empirical distribution,

compositional invariance is established (Henseler, Ringle, & Sarstedt, 2016). Similarly, when establishing equality of composite mean values and variances, the mean original difference and variance original difference must simultaneously fall within the 95% confidence interval (ibid). This is ensured by comparing the mean original difference and variance original difference to the lower (2,5%) and higher (97,5%) boundaries.

## 5. RESULTS AND DISCUSSION

In total 449 completed questionnaires were collected during the process of data collection. No missing data were introduced, as it was decided to set-up all the questions of the questionnaire to be answered mandatorily. Despite this fact, after the examination of the data set collected, 57 responses were removed as these were identified as suspicious responses with patterns of straight-lining which lead to the remaining 392 valid observations, that were used as the data set for this study.

### 5.1. DESCRIPTIVE STATISTICS

Out of 392 observations, 191 were for group 1 (non-profit organisation) and 201 for group 2 (hybrid organisation). The summary of sample descriptive statistics is presented in table Table 6.

Item	Group 1: (Non-profit Organisation)		Group 2: (Hybrid Organisation)		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
<b>Gender</b>						
Male	107	56,02%	116	57,71%	223	56,90%
Female	82	42,93%	83	41,29%	165	42,09%
n/a	2	1,05%	2	1,00%	4	1,01%
$\Sigma(n)$	191	100,00%	201	100,00%	392	100,00%
<b>Age</b>						
18-24	58	30,37%	59	29,35%	117	29,84%
25-34	56	29,32%	57	28,36%	113	28,83%
35-44	35	18,32%	42	20,90%	77	19,64%
45-54	20	10,47%	15	7,46%	35	8,93%
55-64	8	4,19%	13	6,47%	21	5,36%
65 and over	5	2,62%	4	1,99%	9	2,30%
n/a	9	4,71%	11	5,47%	20	5,10%
$\Sigma(n)$	191	100,00%	201	100,00%	392	100,00%
<b>Nationality</b>						
Portuguese	171	89,53%	168	83,58%	339	86,48%
Other	17	8,90%	29	14,43%	46	11,73%
n/a	3	1,57%	4	1,99%	7	1,79%
$\Sigma(n)$	191	100,00%	201	100,00%	392	100,00%
<b>Education</b>						
Basic Education	4	2,09%	6	2,99%	10	2,55%
High School	69	36,13%	72	35,82%	141	35,97%
Bachelor's Degree	52	27,23%	58	28,86%	110	28,06%
Postgraduate	12	6,28%	16	7,96%	28	7,14%
Master's degree	31	16,23%	22	10,95%	53	13,52%
Doctorate	6	3,14%	15	7,46%	21	5,36%
Other	6	3,14%	8	3,98%	14	3,57%
n/a	11	5,76%	4	1,99%	15	3,83%
$\Sigma(n)$	191	100,00%	201	100,00%	392	100,00%

Table 6 – Summary of Sample Demographics (author).



## 5.2. DATA EXAMINATION

As per the characteristics of PLS-SEM, this statistical method is a nonparametric one. Nevertheless, the importance of verifying whether the data is not too far from normal is expressed by Hair et al. (2017). The rationale behind is that extremely nonnormal data prove problematic in the assessment of the significance of the parameters. Thus, the authors suggest examining skewness and kurtosis as measures of data distributions.

The general guidelines were applied for skewness, which should be lower than +1 and at the same time greater than -1. Otherwise, the data distribution is indicated as skewed. Equally, for kurtosis the general guideline is that the value should fall between +1 and -1 boundaries, as in the first case this would be a symptom of a too peaked data distribution, and in the second case, the data distribution would be indicated as too flat (ibid). As can be seen in table Table 7, the non-normality of data regarding skewness and kurtosis is not an issue in this study.

Indicator	Mean	Standard Deviation	Excess Kurtosis	Skewness
nhon_1	4.885	1.349	0.555	-0.697
nhon_2	5.148	1.297	0.641	-0.833
nhon_3	5.135	1.303	0.814	-0.849
nhon_4	5.140	1.324	0.646	-0.888
kcom_1	4.921	1.391	-0.563	-0.144
kcom_2	4.901	1.447	0.231	-0.794
kcom_3	4.597	1.615	-0.876	-0.270
kcom_4	4.901	1.498	-0.829	-0.397
atea_1	5.036	1.430	-0.815	-0.399
atea_2	5.217	1.232	0.375	-0.608
atea_3	5.026	1.448	0.166	-0.774
atea_4	5.066	1.547	-0.465	-0.576

*Table 7 – Summary of Data Examination (author).*

## 5.3. ASSESSMENT OF MEASUREMENT MODEL

The reflective measurement model was assessed by internal consistency (composite reliability), indicator reliability, convergent validity and discriminant validity. Outer loadings for all indicators exceeded the minimum threshold value. Furthermore, the average variance extracted (AVE) values for all constructs as well as composite reliability and Cronbach's Alpha reached the threshold values accordingly. As for the discriminant validity, heterotrait-monotrait ratio (HTMT) criterion was put in place and the results proved not to include value 1, for all combinations of constructs. This being said, convergent validity, internal consistency and discriminant validity were successfully assessed resulting in no additional changes to the originally proposed model. Summary of the results of the assessment convergent validity, internal consistency and discriminant validity are summarised in table Table 8.

Construct	Indicator	t Value	Convergent Validity		Internal Consistency		Discriminant Validity
			Outer Loadings	AVE	Composite Reliability	Cronbach's Alpha	HTMT confidence interval does not include 1
			>0,70	>0,50	>0,70	0,60-0,90	
KCOM	kcom_1	56,134	0,855	0,621	0,867	0,797	Yes
	kcom_2	40,081	0,787				
	kcom_3	21,379	0,770				
	kcom_4	19,736	0,734				
NHON	nhon_1	24,491	0,734	0,680	0,894	0,842	Yes
	nhon_2	58,451	0,875				
	nhon_3	43,419	0,856				
	nhon_4	29,117	0,827				
ATEA	atea_1	19,961	0,736	0,585	0,849	0,763	Yes
	atea_2	40,438	0,815				
	atea_3	19,064	0,739				
	atea_4	23,925	0,767				

Table 8 – Assessment of Convergent Validity and Internal Consistency (author).

Heterotrait-Monotrait Ratio (HTMT) of the correlations analysis is based on the ratio of the between-trait correlations to the within-trait correlations (Hair et al., 2017). As per the suggestion of Henseler et al. (2015), the threshold value of 0,90 has been considered for this study. The HTMT values exceeding this threshold indicate a lack of discriminant validity. Furthermore, the confidence interval of the HTMT statistics should not contain the value 1. A confidence interval containing the value 1 indicates a lack of discriminant validity. The results were obtained by performing a bootstrapping procedure with 5000 subsamples and are shown in table Table 9.

	NHON	KCOM	ATEA
NHON			
KCOM	0,534 (0,414 ; 0,647)		
ATEA	0,904 (0,833 ; 0,967)	0,753 (0,648 ; 0,851)	

Table 9 – Results of Heterotrait-Monotrait Ratio (HTMT) Analysis (author).

As a traditional addition to the HTMT Criterion when establishing discriminant validity, cross-loadings and Fornell-Larcker Criterion analyses were performed. The results of cross-loadings and Fornell-Larcker criterion analyses are summarised in tables Table 10 and Table 11 respectively. The analysis of cross-loadings suggests that discriminant validity has been established by considering the fact that the outer loadings of the indicators on its construct were greater than any of cross-loadings on other constructs.

	NHON	KCOM	ATEA
nhon_1	<b>0,734</b>	0,327	0,527
nhon_2	<b>0,875</b>	0,424	0,661
nhon_3	<b>0,856</b>	0,404	0,608
nhon_4	<b>0,827</b>	0,359	0,617
kcom_1	0,423	<b>0,855</b>	0,453
kcom_2	0,625	<b>0,787</b>	0,475
kcom_3	0,155	<b>0,770</b>	0,372
kcom_4	0,279	<b>0,734</b>	0,546
atea_1	0,387	0,476	<b>0,736</b>
atea_2	0,706	0,431	<b>0,815</b>
atea_3	0,660	0,305	<b>0,739</b>
atea_4	0,464	0,596	<b>0,767</b>

*Table 10 – Cross-Loadings Criterion Analysis (author).*

Fornell-Larcker criterion analysis was performed by comparison of the square root of the average variance extracted (AVE) values with the latent variable correlation. As Hair et. al (2017) suggest, the square root of AVE of each construct should be greater than its highest correlation with any other construct, which has been successfully accomplished. The results are summarised in table Table 11.

	NHON	KCOM	ATEA
<b>NHON</b>	<b>0,825</b>		
<b>KCOM</b>	0,461	<b>0,788</b>	
<b>ATEA</b>	0,734	0,734	<b>0,765</b>

*Table 11 – Fornell-Larcker Criterion Analysis (author).*

#### 5.4. ASSESSMENT OF HIGHER ORDER CONSTRUCT

As per the suggestion of Sarstedt et al. (2019), the interpretation of the relationships between the HOC and LOCs in case of the reflective-formative construct has been performed by the assessment of convergent validity, collinearity and the significance and relevance of the weights. Because the redundancy analysis that was used for the assessment of the convergent validity of the formative construct, an additional global item (trst\_global) was added to the proposed model, as can be seen in figure Figure 7.

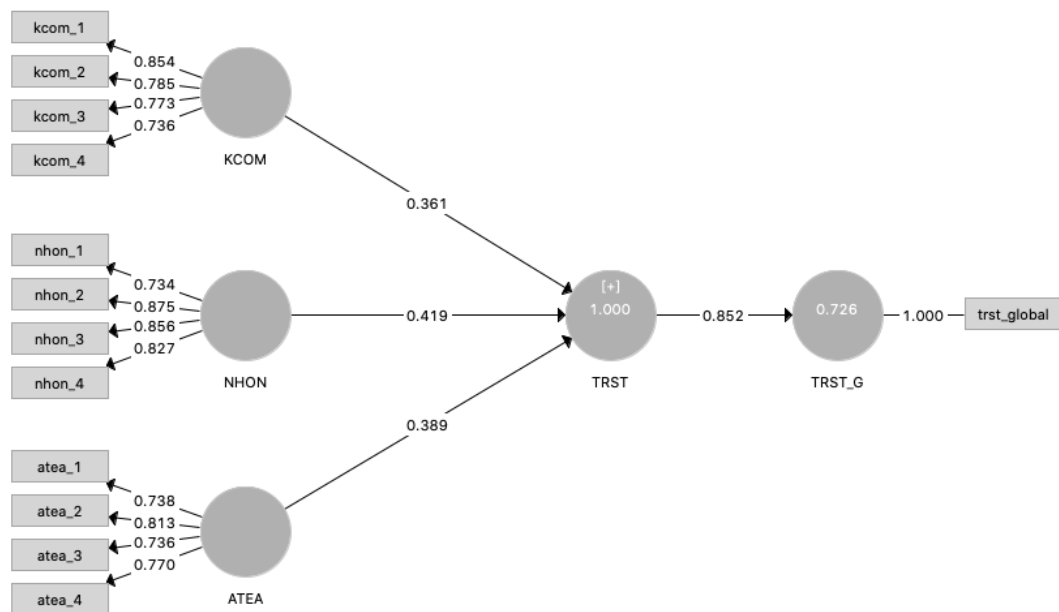


Figure 7 – Proposed model with the global item (author).

The examination of a single-item construct of TRST\_G to exhibit convergent validity yielded a path coefficient of 0,852. By exceeding the recommended threshold (0,70), this analysis proved support for the convergent validity of the formative construct.

The subsequent step was to check for collinearity of the formative constructs. The values of the variance inflation factor are in accordance with the maximum tolerated value, meaning all values are under the threshold value of 5. A conclusion has been made, that the collinearity does not reach critical values in any of the formative constructs. The summary of VIF values is presented in table Table 12.

Formative Construct	Outer VIF Value
KCOM	2,621
NHON	1,540
ATEA	2,161

Table 12 – Summary of Variance Inflation Factor (author).

The analysis of the outer weights for their significance and relevance has been performed by first running the bootstrapping procedure with 5000 bootstrap samples. By looking at the significance levels, one can conclude that all formative indicators are significant at a 5% level. The results of the analysis of the outer weights for their significance and relevance are summarized in table Table 13.

Second-Order Construct	Formative Indicator	Outer Weights	t Value	p Value	95% BCa Confidence Interval	Significance (p<0,05)?
TRST	KCOM	0,389	28,051	0,000	[0,362; 0,416]	Yes
	NHON	0,361	22,633	0,000	[0,332; 0,395]	Yes
	ATEA	0,419	24,115	0,000	[0,387; 0,455]	Yes

Table 13 – Summary of the analysis of the outer weights for their significance and relevance (author).

The  $Q^2$  value for the assessment of predictive relevance was assessed by using the blindfolding procedure. The omission distance (D) has been specified as 6 respecting the fact that D is not a multiple of the number of observations (392), otherwise, the blindfolding procedure could not be executed. After running the blindfolding procedure, the resulting  $Q^2$  value is greater than 0 which indicates the predictive relevance is under consideration. Precisely, the value of 0,451 has been obtained for the construct of Trust (TRST) which indicates a large predictive relevance. The results of the assessment of predictive relevance  $Q^2$ , together with the obtained cross-validated redundancy measures are presented in table Table 14.

Construct	SSO	SSE	$Q^2 (=1-SSE/SSO)$
KCOM	1568,000	1568,000	
NHON	1568,000	1568,000	
ATAE	1568,000	1568,000	
TRST	4704,000	2584,633	0,451

Table 14 – Summary of the assessment of predictive relevance  $Q^2$  (author).

## 5.5. ASSESSMENT OF MULTI-GROUP ANALYSIS

To confirm or reject the hypothesis  $H_4$ : *There is a significant categorical moderating effect of organisational form on the relationship among model constructs*, additionally, a multi-group analysis (PLS-MGA) has been conducted. As comparisons of PLS-SEM results across different groups (group 1: Non-profit organisation; group 2: Hybrid organisation) in PLS-MGA are only reasonable if measurement invariance is confirmed, measurement invariance of composite models (MICOM) procedure was established. To determine measurement invariance, the following steps were assessed: (1) *Configural Invariance*; (2) *Compositional Invariance*; (3) *Equality of Composite Mean Values and Variances*.

Configural invariance has been established by ensuring that both groups (group 1: Non-profit organisation; group 2: Hybrid organisation) respect identical indicators per measurement model, identical data treatment, as well as identical algorithm settings or optimisation criteria.

The evaluation of compositional invariance together with the evaluation of equality of composite mean values and variances has been accessed by executing a permutation routine. The results of compositional invariance analysis are shown in table Table 15. As can be seen, the compositional invariance has been established in all constructs and the original correlations are equal or greater than 5%-quantile of the empirical distribution.

Construct	Original Correlation	5,0%	Compositional Invariance?
KCOM	0,999	0,005	Yes
NHON	1,00	0,999	Yes
ATEA	0,995	0,995	Yes
TRST	0,997	0,996	Yes

Table 15 – Summary of Compositional Invariance Analysis (author).

The equality of composite mean values and variances has not been established as the mean original difference and variance original difference simultaneously do not fall within the 95% confidence interval. In other words, by comparing the mean original difference and variance original difference to the lower (2,5%) and higher (97,5%) boundaries one can conclude that the equality of composite mean values and variances has not been assessed. The complete results of the equality of mean values and variances analysis are summarised in table Table 16.

Construct	Mean – Original			Variance – Original			Equal mean values and variances?
	Difference (Group1 – Group 2)	2,5%	97,5%	Difference (Group1 – Group 2)	2,5%	97,5%	
KCOM	0,339	-0,202	0,202	0,219	-0,255	0,228	No
NHON	0,110	-0,192	0,192	0,230	-0,369	0,353	No
ATAE	0,431	-0,195	0,197	-0,375	-0,269	0,255	No
TRST	0,332	-0,205	0,196	-0,252	-0,286	0,281	No

*Table 16 – Summary of Equality of Mean Values and Variances Analysis (author).*

Concluding the results of MICOM analysis, both configural invariance and compositional invariance has been established. By not being able to establish the equality of mean values and variances, the implications are, that a partial rather than full measurement invariance has been established. This result allows proceeding with multi-group analysis (PLS-MGA) since the standardised coefficient of the model can be compared across groups.

A PLS-MGA analysis has been conducted using a parametric approach. After the examination of the results for the categorical moderating effect of organisational form on the relationship among model constructs it has been concluded that this hypothesis is not supported, meaning, it was rejected because all variances of estimated path coefficients of both groups (group 1: Non-profit organisation; group 2: Hybrid organisation) do not differ significantly. Table Table 17 presents the results of PLS-MGA in a summarised way.

Hypothesis	Path	Group 1	Group 2	Group 1 vs. Group 2				Accepted?
		p(1)	p(2)	p(1)-p(2)	t Value	p Value	Significance (p<0,05)?	
H <sub>4</sub>	KCOM → TRST	0,388	0,309	0,079	2,230	0,027	Yes	No
	NHON → TRST	0,422	0,452	0,030	0,742	0,459	No	
	ATEA → TRST	0,389	0,376	0,013	0,429	0,668	No	

*Table 17 – Summary of Multi-Group Analysis (PLS-MGA) (author).*

## 5.6. SUMMARY OF HYPOTHESIS TESTING

With this PLS-MGA analysis, the model evaluation for the significance of differences between investigated groups was concluded. Considering these results together with the results from data examination, the assessment of measurement model and the assessment of higher-order construct all constructs as well as the model as a whole exhibit satisfactory levels of quality. Therefore, the hypotheses H<sub>1</sub>, H<sub>2</sub> and H<sub>3</sub> were confirmed and validated. Hypothesis H<sub>4</sub> was rejected, as the difference in path coefficients in groups that were under investigation did not prove significant. The summary of hypothesis testing can be seen in table Table 18.

Hypothesis		Accepted?
H <sub>1</sub>	Keeps Commitments (KCOM) significantly influences trust (TRST).	Yes
H <sub>2</sub>	Negotiates honestly (NHON) significantly influences trust (TRST).	Yes
H <sub>3</sub>	Avoids taking excessive advantage (ATEA) significantly influences trust (TRST).	Yes
H <sub>4</sub>	There is a significant categorical moderating effect of organisational form on the relationship among model constructs.	No

*Table 18 – Summary of Hypothesis Testing (author).*

## 6. CONCLUSIONS

It has become a trend that organisations are nowadays including social or ecologically driven practices into their business model strategies. The goal is not only doing good for the sake of doing good but also because that has clear positive consequences on the business side. There is empirical evidence supporting that once social or ecologically-driven practices were applied in for-profit organisations, its customers become more willing to purchase, sponsor and be loyal to such organisations. While including more social-minded missions is mostly seen as beneficial to for-profit organisations, the effects of this mission drift are not clear for non-profit organisations.

The main question of this dissertation project was, what is the impact of a mission-drift on the trust of external stakeholders of a non-profit organisation that hybridised? To answer this question, the present study provided theoretical support and modelled the construct of trust as a belief based on a multidimensional view Organisational Trust Inventory (OTI) consisting of three dimensions: 1) *keeps commitments*; 2) *negotiates honestly*; 3) *avoids taking excessive advantage*. Therefore, trust has been considered as a higher second-order reflective-formative construct using PLS-SEM. Bearing in mind the results of previous chapters, the following findings and implications can be drawn:

1. Trust in both non-profit and hybrid organisations is influenced by several dimensions, including *keeps commitments*, *negotiates honestly*, and *avoids taking excessive advantage*. When analysing trust, attention should be paid to all of these dimensions;
2. Out of these three dimensions, and for the purposes of the analysed setting, *avoids taking excessive advantage* is the most important one, followed by *keeps commitments* and then *negotiates honestly*. This means that from a managerial point of view, *avoids taking excessive advantage* should be made a priority, while not forgetting about the remaining dimensions.
3. When it comes to the significance of the categorical moderating effect of organisational form on the relationship among model constructs, the difference of path from *keeps commitments* to *trust* among both groups (group 1: non-profit organisation; group 2 – hybrid organisation) was proven significant. Nonetheless, the paths *avoids taking excessive advantage* and *negotiates honestly* towards *trust* turned out as not significant. Thus, no significant categorical moderating effect of organisational form was observed in this study due to the lack of statistical evidence.
4. These results seem to indicate an advantage in non-profit organisations operating more like hybrid organisations since this organisational form allows them to access resources in more diversified ways with no apparent effect on their organisational trust. If organisations fear losing trust by hybridising, they might avoid engaging in this organisational transformation. These results support the idea that there is no reason for such fear.

What this study seems to suggest is that in the Portuguese setting, hybrid organisations do not seem to suffer from trust loss or gain if they hybridise. This can signal to practitioners that engaging in more market-oriented practices does not necessarily condemn organisations to trust loss or gain from the



general public. In fact, when it comes to the public's trust this study could not find evidence of significant deterring effects from hybridising. If hybridity affords organisations new ways of capturing resources and it does not affect the trust of important external stakeholders, this might be considered a safe way to guarantee the financial sustenance of the organisations.

## **7. LIMITATIONS AND RECOMMENDATIONS FOR FUTURE WORKS**

Certain constraints and limitations that result mostly from the methodology should be considered. First and foremost, is the cultural aspect of the environment in which this study has been set. Portugal is a southern European country, with a specific population which should be taken into account when attempting to interpret or generalise the results to other countries or regions.

Another factor that limits this study is the sample of the target population. Even though the sample size has not been identified as an issue, defining a sample plan that would better reflect the target population of the studied organisation might be beneficial. Especially considering secondary data about external stakeholders and their profile could provide us with more representative results.

As this dissertation project has not attempted to entirely cover the topics of trust and measuring trust in either non-profit or hybrid organisations, some of the following extensions can be investigated in future works. For example, the moderation effect of past donations and their size could be studied, as well as education level of target audiences, age or religious affiliation. More information about these effects could help organisations to manage better their resources, become more effective in diversifying and targeting different income sources, as well as reinforcing their current donor pool or attract potential new funding stakeholders.

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## 9. APPENDIX

### Portuguese description of AlimentARTE as a group 1: non-profit organisation

A AlimentARTE é uma organização sem fins lucrativos cuja principal missão é aliviar o flagelo da fome em Portugal. O seu modo de operar é o seguinte: a AlimentARTE recebe doações em géneros alimentares, que arrecada num armazém que lhes foi doado, distribuindo estes alimentos a pessoas e organizações com necessidades. Recebe também doações monetárias de doadores/filantropos que valorizam a sua missão social. Todas as suas atividades estão isentas do pagamento de impostos. A AlimentARTE conta com a mão de obra de voluntários para as suas atividades logísticas, como a entrada, o armazenamento e distribuição de alimentos. As doações monetárias recebidas são utilizadas em grande medida para a manutenção de uma pequena equipa de gestores profissionais, contabilidade e marketing que garante a operação e coordenação de equipas voluntárias, bem como a gestão de stock de alimentos no seu armazém. Quando existem excedentes monetários a organização procura usualmente adquirir mais alimentos para doar em alturas de maior escassez de doações. Considerando a descrição da AlimentARTE responda, por favor, às seguintes questões

### Portuguese description of CultivARTE as a group 2: hybrid organisation

A CultivARTE é uma empresa social que opera um negócio agroalimentar em Portugal. Tem uma missão social que é aliviar o flagelo da fome em Portugal, mas por ser um negócio procura ser financeiramente sustentável. O seu modo de operar é o seguinte: a CultivARTE cultiva produtos hortícolas numa propriedade que lhes foi doada para esse fim, procedendo à venda de cabazes de legumes e frutas a um preço *premium*, isto é, acima do preço de mercado. Por vezes, a CultivARTE aceita também doações monetárias por parte de doadores/filantropos que valorizam a sua missão social. Todas as suas atividades comerciais estão sujeitas ao regular pagamento de impostos. A CultivARTE conta com uma equipa profissionalizada de agricultores e vendedores de cabazes, alguns dos quais foram recrutados porque se encontravam em situações de risco. A CultivARTE possui uma pequena equipa de gestores profissionais, contabilidade e marketing que garante a operação e coordenação das equipas e o crescimento sustentável do negócio. Quando existem excedentes monetários resultantes do negócio estes são utilizados para fazer crescer a empresa, através da aquisição de mais terrenos de cultivo ou recrutando mais trabalhadores. Considerando a descrição da CultivARTE responda, por favor, às seguintes questões.



### The Portuguese version of the instrument

Item#	
1	Acho que _____ representa as suas capacidades de forma honesta.
2*	Acho que _____ se aproveita de nós.
3	Penso que _____ cumpre os seus compromissos.
4	Acho que _____ atua de acordo com os seus compromissos.
5	Penso que _____ é confiável.
6	Sinto que _____ é honesto comigo.
7	Na minha opinião _____ fiável.
8	Sinto que _____ não se aproveita de mim.
9	Penso que _____ não me engana.
10*	Sinto que _____ tenta não cumprir os seus compromissos.
11*	Acho que _____ me desaponta.
12*	Sinto que _____ tira proveitos das pessoas mais vulneráveis.
13	Avalie a sua confiança na presente organização.

\*Inverted item

*Table 19 – The Portuguese version of the instrument.*

### **The English description of AlimentARTE as a group 1: non-profit organisation**

AlimentARTE is a non-profit organisation whose main mission is to alleviate hunger in Portugal. It operates in the following way: AlimentARTE receives food donations and stores it in a warehouse that was also donated to them. It then distributes this food to people and organisations in need. It also receives monetary donations from donors and philanthropists that value their social mission. None of their activities is subject to tax. AlimentARTE uses volunteers to help in all their logistic activities like the collection, storing and distribution of food donations. The monetary donations it receives are used to keep a small team of professional managers, accounting and marketing that guarantee the operation and coordination of volunteers, as well as the stock management of food in the warehouse. When there is a surplus of monetary donations the non-profit seeks to acquire more goods to donate in times when food donations are scarce. Considering this description, please answer the following questions.

### **The English description of CultivARTE as a group 2: hybrid organisation**

CultivARTE is a social enterprise that operates an agriculture business in Portugal. It has a social mission: to alleviate hunger in Portugal. But because it is a business, it seeks to be financially sustainable. It operates in the following way: CultivARTE cultivates fresh produce in a field that was donated to them for that purpose. It then sells baskets of fruits and vegetables at a premium price, meaning, above-average market prices. Sometimes CultivARTE also accepts monetary donations from donors and philanthropists that believe in their mission. All their commercial activities are subject to tax. CultivARTE has a professional team of agricultures and basket sellers, some of whom have been recruited because they were in need. CultivARTE also has a small team of professional managers, accounting and marketing that guarantees its operation and the coordination of their teams as well as the sustainable growth of the business. When there is an economic surplus from the business this is used to make the company grow through the acquisition of more fields and the recruitment of more workers. Considering this description, please answer the following questions.

## The English version of the instrument

Item#	
1	I think that _____ fairly represents its capabilities.
2*	I feel that _____ takes advantage of me.
3	I think _____ keeps commitments.
4	I think _____ behaves according to its commitments.
5	I think that _____ is dependable.
6	I feel that _____ is straight with me.
7	In my opinion, _____ is reliable.
8	I feel confident that _____ won't take advantage of me.
9	I think _____ does not mislead me.
10*	I feel that _____ tries to get out of its commitments.
11*	I think _____ lets me down.
12*	I feel that _____ takes advantage of people who are vulnerable.
13	Evaluate your trust in the presented organisation.

\*Inverted item

*Table 20 – The English version of the instrument.*

